

PALOS

CONTENTS

Palos Weekly Commentary

Issue No. 7 | FEBRUARY 17, 2020

By Charles Marleau, CIM

The Eagle Is Diving and It's Time to Catch It	1
The Eagle Is Diving and It's Time to Catch It Cont'd	2
Important Reminder to Contribute to Your RRSP and TFSA	3
Rappel important pour cotiser à votre REER et à votre CELI	4
Palos Funds vs. Benchmarks (Total Returns)	5
Disclaimer & Contacts	6

The Eagle Is Diving and It's Time to Catch It

On Thursday February 13, 2020 Agnico Eagle Mines Ltd. (TSX: AEM) announced its fourth quarter (Q4) results and the numbers were inline with street estimates. The company also announced a record level of gold production totaling 494,678 ounces in the quarter. While production costs were slightly higher at \$745/oz., the outlook was negative on capex with spending that exceeded expectations. Higher than anticipated capex for the year was related to the slower ramp-up at Agnico's Amaruq project in Nunavut and accelerated spending at the Kittila mine in Finland. In addition, AEM also revised 2020 production guidance to 1.875 million ounces, lower than its previous guidance of 1.9 to 2.0 million. Capex has been projected at \$740 MM, which above previous guidance. The market reacted negatively on Friday morning and the stock sold off by approximately by 14%, before recovering from its intraday low.



By Charles Marleau, CIM

I view the selloff as overdone. Let's remember that building a mine is no easy task. There are numerous moving parts when it comes to large projects. Not to diminish the impact of the new guidance, but the fact remains that AEM is one of the best managed mining companies in the sector. I'm convinced that the company's exceptional management will be successful in addressing these issues and that this blip will be forgotten in due course. I view this aggressive sell off as an opportunity to add to the existing position. On the positive side, the company announced an increase to its quarterly dividend, upping by 14% to \$0.20 per share. This is further indication that management is confident in their new guidance and their ability to control costs. Meanwhile, the fund is happy to clip the dividend and patiently wait for the stock price to recover.

Disclaimer: Palos Funds are shareholders of AEM.

By Charles Marleau, CIM

La version française suit

Dear Palos Friends,

The deadline for your 2019 RRSP contribution is quickly approaching and we would like to remind you of the importance of contributing for the future. The earlier you start contributing to an RRSP or TFSA, the more money you'll have when it's time to retire. There's nothing like the power of tax-free compounding of returns.

You will find enclosed instructions to access your RRSP and TFSA contribution room available, via the CRA online portal, under the "My Account" section.

<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>

Important Reminder to Contribute to Your RRSP and TFSA

Maximizing contributions to your RRSP and TFSA are two of the most important ways that Canadians can accumulate wealth. Here's what you need to know:

RRSP Advantages	<ul style="list-style-type: none">• RRSP contributions are tax deductible.• Savings grow tax free.• When you retire, you can convert your RRSP to get regular income.• A spousal RRSP can reduce your combined tax burden.• You can borrow from your RRSP to buy your first home or pay your education.
RRSP Contribution Details	<ul style="list-style-type: none">• The deadline for making your 2019 RRSP contribution is March 2, 2020.• Your 2019 RRSP contribution limit is based on any unused contribution room carried forward from 2018 plus your 2019 contribution amount (18% of your prior year's earned income, subject to a ceiling of \$26,500 in 2019)• If you have already made your 2019 contribution, consider making your 2020 RRSP contribution now to benefit from the tax-deferred growth of an RRSP. The maximum RRSP contribution limit for 2020 is \$27,230.
TFSA Advantages	<ul style="list-style-type: none">• You can save tax free.• You don't need to earn income to contribute.• You can take the money out whenever you want, without paying any tax.• If you take money out, you can re-contribute the amount the following year.
TFSA Contribution Details	<ul style="list-style-type: none">• The annual contribution limit for 2020 is \$6,000.• The TFSA contribution room is cumulative and has been accumulating since 2009. Unused contribution room carries forward, currently up to \$69,500.

If you would like to open, contribute or have any questions about RRSP or TFSA accounts, contact your investment advisor or email us at info@palos.ca.

By Charles Marleau, CIM

Chers amis de Palos,

La date limite pour votre cotisation REER 2019 approche à grand pas et nous aimerions vous rappeler l'importance de cotiser pour votre avenir. Plus tôt vous cotisez à un REER ou à un CELI, plus d'argent vous aurez. Il n'y a rien de tel que l'avantage des types de comptes libres d'impôt (CELI) ou de report d'impôt (REER) pour faire fructifier votre argent.

Vous trouverez ci-joint des instructions pour accéder à vos droits de cotisation à un REER et à un CELI disponibles, via le portail en ligne de l'ARC, dans la section «Mon compte». <https://www.canada.ca/fr/agence-revenu/services/services-electroniques/services-electroniques-particuliers/dossier-particuliers.html>

Rappel important pour cotiser à votre REER et à votre CELI

La façon la plus productive d'accumuler la richesse pour les Canadiens est de maximiser les contributions aux comptes REER et CELI. Voici ce que vous devez savoir :

Advantages du REER	<ul style="list-style-type: none">• Les cotisations à un REER sont déductibles d'impôt.• Vos épargnes augmentent sans impôt.• Lorsque vous prenez votre retraite, vous pouvez convertir votre REER pour obtenir un revenu régulier.• Un REER de conjoint peut réduire votre fardeau fiscal commun.• Vous pouvez emprunter à votre REER pour acheter votre première maison ou payer vos études.
Détails sur la cotisation au REER	<ul style="list-style-type: none">• La date limite pour verser votre cotisation REER 2019 est le 2 mars 2020.• Votre plafond de cotisation REER 2019 est basé sur les droits de cotisation inutilisés reportés de 2018 et le montant de votre cotisation 2019 (18% du revenu gagné de votre exercice précédent, sous réserve d'un plafond de 26 500\$ en 2019).• Si vous avez déjà effectué votre cotisation 2019, songez maintenant à cotiser à votre REER de 2020 pour bénéficier de la plus-value d'un REER avec impôt différé. La limite de cotisation maximale à un REER pour 2020 est de 27 230 \$.
Advantages du CELI	<ul style="list-style-type: none">• Vous pouvez économiser en franchise d'impôt.• Vous n'avez pas besoin de gagner un revenu pour cotiser.• Vous pouvez retirer l'argent quand vous le souhaitez, sans payer d'impôt.• Si vous retirez de l'argent, vous pouvez réinvestir ce montant l'année suivante.
Détails sur la cotisation au CELI	<ul style="list-style-type: none">• La limite de contribution annuelle pour 2020 est de 6 000 \$.• Les droits de cotisation CELI sont cumulatifs et s'accumulent depuis 2009. Les droits de cotisation inutilisés sont reportés, jusqu'à présent ils se soldent à 69 500 \$.

Si vous souhaitez ouvrir, cotiser ou avoir des questions sur les comptes REER ou CELI, vous pouvez contacter votre représentant ou envoyez-nous un courriel à info@palos.ca.

Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.69	2.18%
Palos Equity Income Fund - RRSP	PAL101	\$5.86	2.56%
Palos Merchant Fund L.P. (Dec 31, 2019) ²	PAL500	\$1.71	20.15%
Palos WP Growth Fund - RRSP	PAL210	\$7.87	2.80%
Palos-Mitchell Alpha Fund (Fund Initiated on Jan 29, 2019) ³	PAL300	\$10.17	-1.94%
S&P TSX Composite (Total Return with dividends reinvested)			4.95%
S&P 500 (Total Return with dividends reinvested)			4.86%
S&P TSX Venture (Total Return with dividends reinvested)			-1.20%
Chart 2: Market Data ¹			Value
US Government 10-Year			1.58%
Canadian Government 10-Year			1.37%
Crude Oil Spot			US \$52.05
Gold Spot			US \$1,582.70
US Gov't10-Year/Moody BAA Corp. Spread			204 bps
USD/CAD Exchange Rate Spot			US \$0.7546

¹ Period ending February 14, 2020. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

Palos Weekly Commentary

Issue No. 7 | FEBUARY 17, 2020

Disclaimer:

This publication is proprietary to Palos Management Inc. (along with its affiliate Palos Wealth Management Inc., "Palos"). This publication may be copied, downloaded, stored in a retrieval system, further transmitted, reproduced, disseminated, and/or transferred, in any form or by any means, but only as long as it is unaltered and attributed to Palos. This publication and its contents may not be sold or licensed without Palos' written permission. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made or implied regarding accuracy or completeness. The information provided does not constitute investment advice and it should not be relied upon on as such. If you have received this communication in error, please notify us immediately by electronic mail or telephone. This document may contain certain forward-looking statements that are not guarantees of future performance and future results could be materially different. Past performance is not a guarantee of future performance. "S&P" is a registered trademark of Standard and Poor's Financial Services LLC. "TSX" is a registered trademark of TSX Inc. The Bloomberg USD High Yield Corporate Bond Index is a rules-based, market value weighted index engineered to measure publicly issued noninvestment grade USD fixed rate, taxable, corporate bonds. To be included in the index a security must have a minimum par amount of 250MM.

PALOS

1 Place Ville Marie, Suite 1670
Montreal (QC) H3B 2B6, Canada

T. +1 (514) 397-0188
F. +1 (514) 397-0199

1 St. Clair Avenue East Suite 504
Toronto, Ontario M4T 2V7

T. +1 (647) 276-0110
F. +1 (647) 343-7772

www.palos.ca